

GASB 34-35 COLLEGE TASK FORCE MEETING
MINUTES
April 19, 2002

Attending:

Jay Sheffell, Consultant	Mike Naquin, Nichols
David Muscarello, University of New Orleans	Joseph Thomas, Louisiana Tech
Patrick Casey, University of New Orleans	Bonita Smith, Louisiana Tech
Susie Buchman, LSU Health Science Center	Tolor White, Southern University
Greg Bursavich, LSU	
Bill Wells, LSU System	Joseph Marin, LCTCS
Cathy Trichel, Northwestern University	Beth Sigler, LCTCS
Rita Graves, Northwestern University	Paul Pendas, Legislative Auditor
Richard Thompson, ULS	Tom Cole, Legislative Auditor
Elizabeth Riviere, Nicholls	Robbie Robinson, Legislative Auditor
Linda Peltier, Nicholls	Howard Karlton, OSRAP
Afranie Adomako, OSRAP	Mark Rhodes, OSRAP

Listed below is a summary of the topics and questions discussed in the meeting.

Howard asked the colleges and universities at what stage they were at depreciating their buildings and moveable property. Representatives from the colleges and universities gave an update.

Howard noted that the deadline for the University of Louisiana System (ULS) system to submit their AFR's is September 9, 2001. An outside contractor has been hired to compile the individual campuses AFR's in the ULS and they will need a week to compile these. The deadline for the other systems to submit their AFR's has been extended to September 16, 2001 at 9:00a.m.

One of the university representatives asked if they will still be required to distribute individual university copies of the financial statements to the same people and agencies as they have in the past or should they only distribute system financial statements? It is Howard's understanding that only the system financial statements or AFR's will be distributed. Included in the ULS' report will be supplemental information on the individual universities within the system. The supplemental information will be for internal purposes and the auditors will not express an opinion on the supplemental information.

The legislative auditors noted that the individual campuses which include LSU-A & LSU-E, which will not issue financial statements because of the systems reporting concept, will be required to submit financial statements, note disclosures, MD&A, etc in the year of accreditation. A university representative noted that, in the past, the accrediting body used the single audit. The accrediting body used to report on the system as a whole. The legislative auditors stated that they had received a letter from SACS. SACS now wants an audit on the individual institution in the year of accreditation and not just an audit of the university's system.

A university representative asked if each university will be required to prepare their own MD&A and asked if it would be consolidated in the system report. If so, she asked if there will be a template or what MD&A example should be followed? Howard responded that the outside contractor is going to complete the MD&A for the University of Louisiana System (ULS) and the outside contractor should contact the individual universities within the system and request specific information. OSRAP is not prescribing how the university systems format their MD&A, but their MD&A must contain the information required by GASB 34. The individual systems should decide the format of the MD&A and the individual colleges and universities should work with their system office to determine what information the individual colleges and universities will need to submit.

Howard also stated that OSRAP would extend the August 15th deadline for quarterly account receivable reports by 15 days.

Afranie asked if anyone had any questions or comments from the minutes of the last meeting. At the last meeting, it was suggested that OSRAP develop a policy that certain adjustments required by GASB 35 should not be considered budgetary issues and should not affect the budgetary requirements of the state. OSRAP decided to list this as a Q & A on their website.

OSRAP handed out an issue paper concerning current vs. noncurrent assets and liabilities. Most of the information contained in the issue paper was obtained from ARB #43 and should not be controversial, but OSRAP offered to entertain any questions at the end of the meeting.

The legislative auditors were asked to comment on the proposed summer school session policy. Listed below is a summary of the policy:

Since the summer session crosses fiscal years, the issue is what methodology do we use to account for the summer session's revenues and expenses so that they are recognized under the accrual basis of accounting. The summer school session policy recommended two alternatives. Alternative 1 counts the actual number of days in the summer session prior to July 1st and the number of days occurring after June 30th of the summer session each fiscal year. Using the total number of days involved, each summer session would then be "pro-rated" across the two fiscal years. A prior period adjustment would be necessary each year. Alternative 2 involves reporting in each fiscal year the actual results of the full summer session completed in that year and requires a one-time prior period adjustment. The proposed policy recommends both alternatives. (See the summer session issue paper for a more detailed description.)

The legislative auditors informed the College Task Force that they had a management meeting and discussed the summer session policy. Their concern with alternative 2 is the effect it will have on the Statement of Net Assets. At this time, they are not sure what the impact will be. They said that alternative 1 appeared to result in a GAAP presentation. The proposed summer session policy will be e-mailed to all of the College Task Force participants and will be discussed further at the next meeting.

At a previous meeting, the College Task Force agreed on the method for calculating deductions for annual leave, but sick leave for academic personnel was not discussed. Academic personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Although, not all of the colleges and universities within their system calculate their compensated sick leave for academic personnel in the same manner, the College Task Force did not think this was an issue.

Listed below are the answers and/or discussion of the questions on the agenda.

The next question on the agenda asked if the universities needed a system policy on historical treasures and works of art and what details were needed in the notes. OSRAP has an issue paper on their website, "Works of art, historical treasures, and other similar assets," which lists the state's policy on collections, works of art, and historical treasures. The college or university system may use OSRAP's policy or they may develop a more stringent policy of their own, as long as, at a minimum, it follows OSRAP's policy. College or university systems should list their non-capitalized collections in the college packet and list the reasons their institution(s) did not capitalize them.

The next topic on the agenda was confirmation of how bulk purchases of items less than capitalization limits should be treated. Bulk purchases of items less than capitalization limits should be treated as individual items for depreciation purposes (i.e. 50 computers are purchased at \$750 each. These should be treated as 50 individual items of \$750 and they should not be capitalized.)

On what line of the Statement of Cash Flows do you report the following:

- a) TOPS?
- b) Private loans?
- c) Other deposit funds that are not student organization, but outside scholarships, etc. which the university is an agent?

The Task Force discussed the different options and OSRAP will probably add another line to the Cash Flow Statement, "TOPS and other third party assistance," in the "Cash flows from non-capital financing activities" section; however, OSRAP will do a little more research before a definite answer is given.

The Task Force also questioned why the Cash Flow Statement in OSRAP's College Packet had two lines for some of the account lines (i.e. Federal Family Education Loan Programs, FFELP, Receipts and FFELP Disbursements) and other samples (i.e. Pipken's Cash Flow Statement) only has one line for the same account line (i.e. net of FFELP receipts and disbursements). OSRAP noted that they used the format found in the *GASB 35 Implementation Guide*.

The next two questions on the agenda were as follows:

1) Should payroll liability accounts such as federal income tax withheld, annuities, credit union dues, etc. be adjusted to the “payments for benefits” line under “Cash Flow from Operating Activities” when they have no effect on income or expense?

2) Should Payroll Liability accounts such as retirements, social security, group insurance, etc. where they partially affect expenditures be adjusted to the “payments for benefits” line in total (100%) or only to the extent they affect expenditures?

Answer: Payroll liability accounts such as federal income tax withheld, annuities, credit union dues, etc. would be reported under “payments to employees”. The State’s portion or the university’s portion of payroll liability accounts such as retirements, social security, group insurance, etc. would be reported under “payments to benefits”. Some accounts contain employer and employee shares, such as retirement or group insurance accounts and will need to be split between “payments to employees” and “payments for benefits” on the Cash Flow Statement.

The last question about Endowed Chairs and Professorships will be discussed at the next meeting. However, on the topic of Endowed Chairs and Professorships, a university representative stated that in a NACUBO meeting she attended, they said if an outside firm does your investing, you just have to show the net and not the gross proceeds from sales (just the net effect).

The next meeting is set for Friday, May 3rd at 10:30 and it will be in the same place.